AbaQulusi Local Municipality Annual Financial Statements for the year ended 30 June 2020

Mayoral Committee	
Mayor	MJ Sibiya (Resigned - 17/07/2019)
Deputy Mayor	MC Maphisa
Speaker	MB Khumalo
Executive Committee Member	BL Zwane
Executive Committee Member	MA Hlatshwayo
Executive Committee Member	TZ Nkosi
Executive Committee Member	HB Khumalo
Executive Committee Member	PP Selepe
Executive Committee Member	IA De Kock
Executive Committee Member	NN Mdlalose
Councillor	MM Ntuli SN Ndlela B Ntombela AM Masondo DP Mazibuko LR Mhlongo NS Mgidi TA Khumalo L Dube CN Mbatha VC Mtshali MB Mabaso PM Mtshali DJ Mahlase MT Lushaba NY Mdlalose M Viktor MM Mhlungu TD Ndlovu XJ Zungu MM Kunene AP Mbatha NB Manana NA Kunene MA Mazibuko ZH Nxumalo KM Nthuli JJ Jones SS Siyaya MP Williams R Ally TZ Mavundla CJQ Radebe HB Khumalo TI Zungu NC Mkhwanazi
Grading of Local authority	Grade 04 Medium Capacity
Bankers	ABSA Bank of South Africa Limited Nedbank of South Africa Limited Standard Bank
Physical Address	Cnr. of Mark and High Street Vryheid Kwa-Zulu Natal 3100

General Information

Postal address	P. O. Box 57 Vryheid Kwa-Zulu Natal 3100
Telephone/Fax	034 - 982 2133 034 - 980 9637
Chief Financial Officer	H. A. Mahommed
Municipal Manager	B. E. Ntanzi
Auditors	Auditor General of South Africa
Nature of business and principal activities	The primary function of Abaqulusi Local Municipality is to provide basic services i.e. water, electricity, sanitation and refuse to the Abaqulusi jurisdiction. Abaqulusi Local Municipality is controlled by a Mayor, Deputy Mayor, Speaker, Chief Whip, seven Executive Committee members, the Accounting Officer and five Directors who contribute to day to day management.

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledge that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Municipality sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year ended 30 June 2020 and, in light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. My assumption is made based on the municipality receiving continuous grant funding from both National and Provincial Government. The municipality is dependent on revenue received from billing of property rates and services to the community and state for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that Abaqulusi Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. (Refer to Note 41 for detailed analysis of going concern.)

The municipality is currently under discretionary administration in accordance with section 139 of the constitution and section 137 of the MFMA. The discretionary intervention was implemented to assist the municipality deal with it's long term financial sustainability.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the note entitled Remuneration of Councillors of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Offive Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 5 to 81, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 October 2020:

B E Ntanzi
Municipal Manager

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019
Assets			
Current Assets			
Inventories	8	10 885 924	15 550 883
Receivables from non- exchange transactions	9	788 128	625 685
Statutory Receivables	10	83 931 395	66 357 659
VAT receivable	11	22 346 081	6 148 553
Receivables from exchange transactions	12	73 690 517	66 180 935
Cash and cash equivalents	13	16 554 087	17 832 256
		208 196 132	**172 695 971**
Non-Current Assets			
Investment property	3	61 387 500	66 249 000
Property, plant and equipment	4	1 402 083 279	1 411 115 545
Intangible assets	5	364 264	665 908
Heritage assets	6	3 854 571	3 854 571
		1 467 689 614	**1 481 885 024**
Total Assets		**1 675 885 746**	**1 654 580 995**
Liabilities			
Current Liabilities			
Payables from exchange transactions	16	130 396 981	117 529 219
Consumer deposits	17	15 308 925	15 462 897
Employee benefit obligation	7	3 145 000	3 368 000
Unspent conditional grants and receipts	14	8 275 166	18 219 552
		157 126 072	**154 579 668**
Non-Current Liabilities			
Employee benefit obligation	7	57 375 000	66 096 000
Provisions - Landfill Site Rehabilitation	15	31 970 299	30 444 602
		89 345 299	**96 540 602**
Total Liabilities		**246 471 371**	**251 120 270**
Net Assets		**1 429 414 375**	**1 403 460 725**
Accumulated surplus		1 429 414 375	1 403 460 725

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019
Revenue			
Revenue from exchange transactions			
Interest received - Investment & Bank	23	1 867 041	365 096
Licences and permits	18	3 646 403	4 492 555
Other income	22	1 237 811	2 968 531
Rental of facilities and equipment	18	1 141 128	1 883 925
Service charges	19	265 355 690	258 146 276
Total revenue from exchange transactions		**273 248 073**	**267 856 383**
Revenue from non-exchange transactions			
Statutory revenue			
Property rates	24	93 287 784	70 969 129
Property rates - penalties imposed	24	4 942 566	4 648 894
Municipal Traffic Fines	20	6 033 796	16 943 750
Transfer revenue			
Government grants & subsidies	25	220 384 766	182 810 610
Donation Transfer - Assets	4	1 720 511	-
Fines, Penalties and Forfeits	21	218 643	-
Total revenue from non-exchange transactions		**326 588 066**	**275 372 383**
Total revenue	18	**599 836 139**	**543 228 766**
Expenditure			
Employee related costs	26	(150 344 418)	(138 597 951)
Remuneration of councillors	27	(15 036 037)	(16 143 145)
Finance Costs - Interest Paid overdue accounts	29	(1 561 611)	(2 097 551)
Depreciation, amortisation and impairment	28	(48 332 634)	(72 648 320)
Provision for impairment	32	(17 343 369)	(44 770 806)
Repairs and maintenance	30	(6 841 709)	(8 859 398)
Bulk purchases	33	(215 715 409)	(165 871 402)
Contracted services	31	(77 959 208)	(82 576 243)
Post-employment benefits -Current Service & Interest Costs	7	(10 781 000)	(10 696 000)
General Expenses	34	(40 287 596)	(51 684 114)
Total expenditure		**(584 202 991)**	**(593 944 930)**
Operating surplus (deficit)		**15 633 148**	**(50 716 164)**
Fair Value Adjustment - Land	35	(79 000)	-
Fair value adjustments - Investment Property	3	(4 861 500)	14 952 431
Actuarial gains/losses	7	15 575 675	7 839 000
Inventories losses/write-downs	8	(314 670)	-
Fair value loss - Investment Property	3	-	(35 010)
		10 320 505	**22 756 421**
Surplus (deficit) for the year		**25 953 653**	**(27 959 743)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2019	**1 431 420 468**	**1 431 420 468**
Changes in net assets		
Deficit for the year restated	(27 959 743)	(27 959 743)
Total changes	(27 959 743)	(27 959 743)
Opening balance as previously reported	1 392 287 904	1 392 287 904
Adjustments		
Prior year adjustments	11 172 818	11 172 818
Balance at 01 July 2019 restated*	**1 403 460 722**	**1 403 460 722**
Changes in net assets		
Surplus for the year	25 953 653	25 953 653
Total changes	25 953 653	25 953 653
Balance at 30 June 2020	**1 429 414 375**	**1 429 414 375**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019
Cash flows from operating activities			
Receipts			
Receipts from customers		334 995 202	305 634 895
Grants and subsidies		218 231 551	182 810 610
Interest income		1 867 041	365 096
		555 093 794	488 810 601
Payments			
Employee costs		(165 380 455)	(162 605 582)
Suppliers		(353 598 379)	(290 821 739)
Finance costs		(1 561 611)	(2 097 551)
		(520 540 445)	(455 524 872)
Net cash flows from operating activities	37	**34 553 349**	**33 285 729**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(35 831 519)	(27 353 879)
Net increase/(decrease) in cash and cash equivalents		**(1 278 170)**	**5 931 850**
Cash and cash equivalents at the beginning of the year		17 832 257	11 938 775
Cash and cash equivalents at the end of the year	13	**16 554 087**	**17 870 625**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	229 847 000	8 727 000	**238 574 000**	265 355 690	**26 781 690**	
Rental from fixed assets	1 425 000	-	**1 425 000**	1 141 128	**(283 872)**	53.1
Licences and permits	4 903 000	-	**4 903 000**	3 646 403	**(1 256 597)**	53.2
Other income	1 206 000	196 000	**1 402 000**	1 237 811	**(164 189)**	53.3
Interest dividend and rent on land	1 000 000	700 000	**1 700 000**	1 867 041	**167 041**	
Total revenue from exchange transactions	**238 381 000**	**9 623 000**	**248 004 000**	**273 248 073**	**25 244 073**	
Revenue from non-exchange transactions						
Revenue						
Property rates	78 789 000	-	**78 789 000**	93 287 784	**14 498 784**	
Property rates - penalties imposed	12 000 000	-	**12 000 000**	4 942 566	**(7 057 434)**	53.4
Fines and penalties	-	-	**-**	6 033 796	**6 033 796**	
Transfer revenue						
Government grants & subsidies	179 813 000	12 214 000	**192 027 000**	220 384 766	**28 357 766**	
Public contributions and donations	-	-	**-**	1 720 511	**1 720 511**	53.5
Fines, Penalties and Forfeits	10 473 000	626 000	**11 099 000**	218 643	**(10 880 357)**	53.6
Total revenue from non-exchange transactions	**281 075 000**	**12 840 000**	**293 915 000**	**326 588 066**	**32 673 066**	
Total revenue	**519 456 000**	**22 463 000**	**541 919 000**	**599 836 139**	**57 917 139**	
Expenditure						
Employee related costs	(152 728 000)	(2 650 000)	**(155 378 000)**	(150 344 418)	**5 033 582**	53.7
Remuneration of councillors	(18 300 000)	-	**(18 300 000)**	(15 036 037)	**3 263 963**	53.8
Finance costs	-	-	**-**	(1 561 611)	**(1 561 611)**	53.9
Depreciation and amortisation	(70 866 000)	1 112 000	**(69 754 000)**	(48 332 634)	**21 421 366**	53.10
Contribution to provision for doubtful debts	(7 881 000)	-	**(7 881 000)**	(17 343 369)	**(9 462 369)**	53.11
Repairs and maintenance	(13 621 000)	(2 462 000)	**(16 083 000)**	(6 841 709)	**9 241 291**	
Bulk purchases	(172 000 000)	(8 000 000)	**(180 000 000)**	(215 715 409)	**(35 715 409)**	53.12
Contracted Services	(68 519 000)	(17 758 000)	**(86 277 000)**	(77 959 208)	**8 317 792**	
Post-employment benefits	-	-	**-**	(10 781 000)	**(10 781 000)**	53.13
General expenses	(48 520 000)	4 977 000	**(43 543 000)**	(40 287 596)	**3 255 404**	53.14
Total expenditure	**(552 435 000)**	**(24 781 000)**	**(577 216 000)**	**(584 202 991)**	**(6 986 991)**	
Operating surplus	**(32 979 000)**	**(2 318 000)**	**(35 297 000)**	**15 633 148**	**50 930 148**	
Fair Value Adjustment - Investment Property Land recorded in PPE	-	-	**-**	(79 000)	**(79 000)**	53.15
Fair value adjustments	-	-	**-**	(4 861 500)	**(4 861 500)**	53.16
Actuarial gains/losses	-	-	**-**	15 575 675	**15 575 675**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Inventories losses/write-downs	-	-	-	(314 670)	**(314 670)**	53.17
	-	**-**	**-**	**10 320 505**	**10 320 505**	
Deficit	**(32 979 000)**	**(2 318 000)**	**(35 297 000)**	**25 953 653**	**61 250 653**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(32 979 000)**	**(2 318 000)**	**(35 297 000)**	**25 953 653**	**61 250 653**	

CAPEX	**Approved Budget**	**Adjustment**	**Final Budget**	**Actual amounts on comparable basis**	**Difference between final budget and actual**
Total Capital Expenditure	35 278 000	8 705 000	43 983 000	(35 103 782)	8 879 218

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality. Figures contained in annual financial statements are rounded off to the nearest whole number.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Revenue Recognition

Accounting policy 1.15 & 1.16 on Revenue from Exchange Transactions and Revenue from Non-ExchangeTransactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Impairment of Financial Assets

Accounting policy 1.7 Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the mangement of the municipality considered the detailed criteria of imapirment of financial assets as set out in GRAP 104: Financial Instruments. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

Useful lives of Property Plant and Equipment

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality..

Impairment

Write down of property plant and equipment, intangible assets and inventories.The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Defined Benefit Plan Liabilities

As described in accounting policy 1.14 Employee Benefits, the municipality obtains acturial valuations of its defined benefit plan laibilities. The defined benefit obligations of the municipality that were identified are Post-Retirement Health Benefit Obligations and Long Service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25 Employee Benefits. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 7 to the financial statements.

Offsetting

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is required or permitted by a standard of GRAP.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence.

Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

Provisions

Provisions have been raised by the municipality for rehabilitation of the landfill site in accordance with IGRAP2. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

This entails determining the fair vale of investment properties on a regular basis. To the extent that the fair value is applied investment property is not depreciated. Fair value gains/losses that result from the revaluation are recognised in the Statement of Financial Performance.

Derecognition

An Investment Property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property. All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent Measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation of assets other than land is calculated,using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets.The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality.Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives. Depreciation only commences when the asset is available for use, unless stated otherwise.

The useful lives of items of property, plant and equipment have been assessed as follows:

Accounting Policies

1.5 Property, plant and equipment (continued)

	Useful Life
Infrastructure	
• Roads and stormwater	05 - 80 years
• Electricity	03 - 50 years
• Sanitation	15 - 100 years
• Water	05 - 80 years
• Housing	03 - 50 years
• Landfill sites	15 - 50 years
Community	
• Sport and recreational facilities	05 - 50 years
• Cemeteries	05 - 50 years
• Halls	05 - 50 years
• Libraries	05 - 50 years
• Parks	05 - 50 years
• Fire/Ambulance Station	05 - 50 years
• Clinics	05 - 50 years
• Sports fields	15 - 30 years
• Stadium	05 - 50 years
Other	
• Transport Assets	05 - 15 years
• Machinery and Equipment	02 - 15 years
• Computer Equipment	03 - 07 years
• Office Equipment	03 - 10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

1.5 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Capital Work in Progress

Capital work in progress is stated at historical cost. Depreciation only commences when the asset is available for use.

Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.

Derecognition of Property, Plant and Equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit for the year when the item is derecognised. Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.
The municipality has identified all its capital assets, excluding Investment Property, as non-cash generating assets as it’s the municipality's view that the primary objective of these assets are to provide a service and not to generate a commercial return.

Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.6 Intangible assets (continued)

Cost
An intangible asset shall be measured initially as cost. Where an intangible asset is acquired through a non-exchnage transaction, its initial cost at the date of acquisition shall be measured at its fair value as at that date. The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

De-recognition
An intangible asset shall be de-recognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognistion of an intangible asset shall be determined as the difference between the net disposal proceeds, if any and the carrying amount of the asset. It shall be recongised in surplus or deficit when the asset is derecognised.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Subsequent measurement
An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Useful life
Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	05 - 10 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 6 Heritage assets.

Heritage assets are not depreciated but the municipality will assess at each reporting date based on external and internal sources of information whether there is an indication that it may be impaired. Transfers from heritage assets shall be made when and only when the particular asset no longer meets the definition of a heritage asset. Likewise transfer to heritage assets shall be made when and only when the asset meets the definiton of a heritage asset.

Heritage assets which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives, as reflected below:

Memorials & Statues	- indefinite life
Heritage Sites	- indefinite life
Museums	- indefinite life
Art Works	- indefinite life

Although a heritage asset is not depreciated, the asset is assessed for impairment at each reporting date to disclose whether there is an indication that it may be impaired.

Initial measurement

Heritage assets are measured at cost.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such a difference is recognised in surplus or deficit when the heritage asset is derecognised..

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:
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Class Category
- Receivables from exchange transactions - Financial asset measured at amortised cost
- Receivables from Non-exchange transactions - Financial asset measured at amortised cost
- Cash or cash equivalents - Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

- Payables from exchange transactions - Financial liability measured at amortised cost
- Bank overdraft - Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

1.8 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.9 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

1.9 Statutory receivables (continued)

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income from leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Accounting Policies

1.11 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. when the asset is deployed in a manner consistent with that adopted by a profit-oriented entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non- cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Compound instruments

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.14 Employee benefits

GRAP 25 on employee benefits is to provide accounting principles for amounts or benefits due to employees, their spouses or third parties when employees have rendered services to the municipality, and the rendering of those services entitles employees to certain benefits.

1.14 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accounting Policies

1.14 Employee benefits (continued)

Post - employment benefits
Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within 12 months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.
Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.
Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.
Interest cost is the increase during a period in the present value of a defined benefit obligation which arises, because the benefits are one period closer to settlement.
Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.
Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.
The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.
The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.
The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

1.14 Employee benefits (continued)
The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.
The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.
The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.
In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.
The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).
When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.
The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions
Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency

1.14 Employee benefits (continued)

and estimated term of the post-employment benefit obligations.
Post-employment benefit obligations are measured on a basis that reflects

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interets cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

1.15 Provisions and contingencies (continued)

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 Capital Commitments

In terms of GRAP 17, contractual commitments are disclosed for all assets. The commitment is measured at the value of the contract less amounts paid until year end. Where contracts or letters of awards have been issued, this is classified as an approved and contracted commitment.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates and value added taxes (VAT)..

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.17 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date.

Service charges for electricity are based on consumption by consumers as is recorded on each consumer's meter.

Meters are read each month and the revenue is recognised in the period in which the invoice is raised.

Provisional estimates of consumption are made in periods where meter readings have not been able to be carried out. The revenue from these provisional readings is also recognised as revenue when invoiced.

Adjustments to provisional estimates and recognition of the amended revenue arising as a result, are made in the invoicing period in which meters are read.

Revenue from the sale of electricity prepaid meter cards is recognised on a monthly basis in arrears.

Refuse charges are based on the application of the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant services has been rendered and the fee has been charged or licences and permits have been issued.

Interest revenue is recognised using the effective interest rate method. Revenue from the rental of facilities and equipment is recognised on a straightline basis over the term of the lease agreement.

Interest, Service Fees

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

1.18 Revenue from non-exchange transactions (continued)

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.18 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Government Grants

Government grants are recognised as revenue when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of revenue can be measured reliably and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.19 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of Grap does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the curent year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.21 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Accounting Policies

1.21 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Deviations between budget and actual amounts exceeding 10 percent is explained, Refer to note 53.

Accounting Policies

1.25 Related parties

A related party is person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party or vice versa or an entity that is subject to common control or joint control.

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.27 Cash and Cash Equivalents

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.28 Changes in accounting policies, estimates and errors

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening. The provisions of IGRAP 1 have been applied prospectively in line with IGRAP1.

Notes to the Annual Financial Statements

2. New standards and interpretations

21 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
- iGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
- GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
- GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
- GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
- GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
- GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
- GRAP 104: Financial Instruments	No effective date yet	Unlikely there will be a material impact.
- GRAP 110: Living and Non-living resources	01 April 2020	Unlikely there will be a material impact

3. Investment property

	2020			2019		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	61 387 500	-	61 387 500	66 249 000	-	66 249 000

Reconciliation of investment property - 2020

	Opening balance	**Fair value adjustments**	**Total**
Investment property	66 249 000	(4 861 500)	61 387 500

Reconciliation of investment property - 2019

	Opening balance	**Disposals**	**Fair value adjustments**	**Total**
Investment property	51 331 579	(35 010)	14 952 431	66 249 000

Pledged as security

No investment property was pledge as security against any liability.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The effective date of the revaluation was 30 June 2020. Revaluations were performed by an independent valuer Umhlaba Geomatics Inc. who has experience in location and category of the investment property being valued. The valuation was based on open market value for existing use of Investment Property which are used for Rentals and Capital Appreciation. The Municipality has Investment Properties in the Towns of Vryhied, Bhekuzulu, Mondlo A, Mondlo B and Louwsburg.

Figures in Rand	2020	2019

3. Investment property (continued)

Amounts recognised in surplus or deficit

	2020	2019
Rental revenue from Investment property	1 084 895	1 959 344

4. Property, plant and equipment

	2020			2019		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	147 698 100	(79 000)	147 619 100	147 698 100	-	147 698 100
Buildings	148 152 918	(67 235 442)	80 917 476	146 770 744	(62 842 176)	83 928 568
Other Property Solid Waste - Landfill site	61 863 542	(54 063 477)	7 800 065	60 337 845	(50 963 762)	9 374 083
Infrastructure	2 689 828 721	1 684 565 050)	1 005 263 671	2 768 580 906	1 750 787 522)	1 017 793 384
Community	281 865 896	(131 343 159)	150 522 737	262 236 682	(120 022 185)	142 214 497
Other property, plant and equipment	27 016 020	(17 055 790)	9 960 230	25 210 695	(15 103 782)	10 106 913
Total	**3 356 425 197**	**(1 954 341 918)**	**1 402 083 279**	**3 410 834 972**	**(1 999 719 427)**	**1 411 115 545**

Reconciliation of property, plant and equipment - 2020

	Opening balance	**Additions**	**Transfers received**	**Other changes, movements**	**Depreciation**	**Total**
Land	147 698 100	-	-	(79 000)	-	147 619 100
Buildings	83 928 566	1 382 175	-	-	(4 393 265)	80 917 476
Infrastructure	1 017 793 384	22 357 295	-	-	(34 887 008)	1 005 263 671
Community	142 214 497	12 007 234	-	-	(3 698 994)	150 522 737
Other property, plant and equipment	10 106 913	84 815	1 720 511	-	(1 952 009)	9 960 230
Other property Solid Waste - Landfill site	9 374 083	1 525 697	-	-	(3 099 715)	7 800 065
	1 411 115 543	**37 357 216**	**1 720 511**	**(79 000)**	**(48 030 991)**	**1 402 083 279**

Reconciliation of Other Property Plant & Equipment	**Opening balance**	**Additions**	**Transfers**	**Depreciation**		**Closing balance**
Machinery and Equipment	1 297 502	75 900	-	(411 106)	-	962 296
Furniture and Office equipment	640 795	8 915	-	(229 572)	-	420 138
Computer equipment	1 092 592	-	-	(451 527)	-	641 065
Transport assets	7 076 024	1 720 511	-	(859 801)	-	7 936 734
	10 106 913	**1 805 326**	**-**	**(1 952 006)**	**-**	**9 960 233**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Land	147 698 100	-	-	-	147 698 100
Buildings	89 274 354	119 517	-	(5 465 303)	83 928 568
Infrastructure	1 059 132 539	15 312 294	-	(56 651 449)	1 017 793 384
Community	133 187 032	14 026 585	-	(4 999 120)	142 214 497
Other property, plant and equipment	4 886 890	8 085 029	-	(2 865 006)	10 106 913
Other Property Solid Waste (Landfill Site)	8 315 800	3 302 897	1 260 384	(3 504 998)	9 374 083
	1 442 494 715	**40 846 322**	**1 260 384**	**(73 485 876)**	**1 411 115 545**

Projects taking significantly longer to completed for the year ended 30 June 2020

Project Name	Carrying Value	Reason for delays
Tarring of KwaBalele to Police Station - Ward 19 Phase 1	4 156 796.07	Project expected to be completed by 20 August 2020. Extension of time due to change in quarry supply as previous quarry was unsuitable for materials. Project was also delayed due to COVID 19
New Lakeside - Road Paving - Ward 22	3 509 087.20	Project expected to be completed by 23 September 2020. Contractor had cashflow chanllenges, the intention to terminate was issued and contractor ceded the work. Project was also delayed due to COVID 19

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	35 062 895	18 067 306	53 130 201
Additions/capital expenditure	16 138 925	10 591 139	26 730 064
Transferred to completed items	(6 936 625)	(6 944 361)	(13 880 986)
	44 265 195	**21 714 084**	**65 979 279**

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	31 151 296	20 874 076	52 025 372
Additions/capital expenditure	13 313 840	14 026 585	27 340 425
Transferred to completed items	(9 402 241)	(16 833 355)	(26 235 596)
	35 062 895	**18 067 306**	**53 130 201**

Figures in Rand	2020	2019

4. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Buildings	732 644	2 975 875
Infrastructure	5 102 416	6 083 032
Other PPE	1 006 649	10 147
	6 841 709	**9 069 054**

Maintenance of Infrastructure includes assets categories for Roads, Electricity Infrastructure and Street Lights. Refer to Note 29 for further breakdown

Maintenance of Builings includes Municipal Office Buildings, Community Halls. Refer to Note 29 for further breakdown

Maintenance of Other PPE includes Motor Vehicles and Machinery. Refer to Note 29 for further breakdown.

5. Intangible assets

	2020			2019		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	2 484 740	(2 120 476)	364 264	2 484 741	(1 818 833)	665 908

Reconciliation of intangible assets - 2020

	Opening balance	**Amortisation**	**Total**
Computer software, other	665 909	(301 645)	364 264

Reconciliation of intangible assets - 2019

	Opening balance	**Amortisation**	**Total**
Computer software, other	967 061	(301 153)	665 908

Pledged as security

No intangible assets was pledged as security:

Details of valuation

The municipality elected to use the cost model when accounting for intangible assets. After initial recognition, an intangible asset shall be carried at cost less any accumulated amortisation and any accumulated impairment losses.

6. Heritage assets

	2020			2019		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical Buildings	2 858 229	-	2 858 229	2 858 229	-	2 858 229
Works of Art	83 810	-	83 810	83 810	-	83 810
Antiques	528 518	-	528 518	528 518	-	528 518
Stamps	1 350	-	1 350	1 350	-	1 350
Rare Books	14 364	-	14 364	14 364	-	14 364
Monuments and Memorials	368 300	-	368 300	368 300	-	368 300
Total	**3 854 571**	**-**	**3 854 571**	**3 854 571**	**-**	**3 854 571**

Reconciliation of heritage assets 2020

	Opening balance	**Total**
Historical Buildings	2 858 229	2 858 229
Works of Art	83 810	83 810
Antiques	528 518	528 518
Stamps	1 350	1 350
Historical monuments	14 364	14 364
Monuments and Menorials	368 300	368 300
	3 854 571	**3 854 571**

Reconciliation of heritage assets 2019

	Opening balance	**Total**
Historical Buildings	2 858 229	2 858 229
Works of Art	83 810	83 810
Antiques	528 518	528 518
Stamps	1 350	1 350
Rare Books	14 364	14 364
Monuments and Memorials	368 300	368 300
	3 854 571	**3 854 571**

Restrictions on heritage assets

There are no ownership and disposal restrictions on heritage assets.

There are no contractual commitments for the acquistions, maintenance and restoration of heritage assets

Pledged as security

No heritage assets was pledged as security.

Figures in Rand	2020	2019

7. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The amounts recognised in the statement of financial position are as follows:

	2020	2019
Carrying value		
Present value of the defined benefit obligation-wholly unfunded - Post Retirement Medical Aid Liability	(51 097 000)	(61 874 000)
Present value of the defined benefit obligation wholly unfunded - Long Service Award Liability	(9 423 000)	(7 590 000)
	(60 520 000)	**(69 464 000)**

	2020	2019
Non-current liabilities	(57 375 000)	(66 096 000)
Current liabilities	(3 145 000)	(3 368 000)
	(60 520 000)	**(69 464 000)**

	2020	2019
Present Value of the defined benefit obligation - wholly funded - Post Retirement Medical Aid Liability		
Opening Balance	(61 874 000)	(62 904 000)
Current service cost	(3 040 000)	(3 083 000)
Interest cost	(6 468 000)	(6 278 000)
Acturial gains/(losses) - change in financial assumption	17 759 492	5 155 000
Acturial gains/(losses) - experience variance	-	3 182 000
Benefit payment	2 525 508	2 054 000
	(51 097 000)	**(61 874 000)**

	2020	2019
Present Value of the defined benefit obligation - wholly unfunded - Long Service Award Liability		
Opening Balance	(7 590 000)	(7 831 000)
Current service cost	(664 000)	(667 000)
Interest cost	(609 000)	(668 000)
Acturial gains/(losses) - change in financial assumption	(2 183 817)	183 000
Acturial gains/(losses) - experience variance	-	(681 000)
Benefit payment	1 623 817	2 074 000
	(9 423 000)	**(7 590 000)**

Changes recognised in the statement of financial performance

	2020	2019
Current service cost - recognised as expenditure	3 704 000	3 750 000
Interest cost - recognised as expenditure	7 077 000	6 946 000
Actuarial (gains) losses	(15 575 675)	(7 839 000)
Payments made during the year - recognised against obligation	(4 149 000)	(4 128 000)
Net Movement	**(8 943 675)**	**(1 271 000)**

7. Employee benefit obligations (continued)

Post Employment Medical Benefits

Assumptions used at the reporting date:

Discount Rate	Yield Curve	10.40 %
CPI (Consumer Price Inflation)	Difference between nominal & yield curves	6.20 %
Medical Aid Contribution Inflation	CPI+2%	8.20 %
Net Discount Rate	Yield Curve based**	2.03 %

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. The most recent actuarial valuations of planned assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2020.

Methodology

GRAP 25 requires that the Projected Unit Credit Funding Method be used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date. At valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet the liability. Therefore no assets was consider as part of the valaution.

Figures in Rand	2020	2019

7. Employee benefit obligations (continued)

Valuation Assumptions

Discount rate

GRAP 25 requires that the discount rate be used in the valuation and be determined by reference to market yields at reporting date on government bonds. Where there is no deep market in government bonds wit a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term of discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yeild curve. Therefore in line with GRAP 25 the norminal and real zero curves as at 30 June 2020 supplied by the JSE was used to determine the discounts rates and CPI assumption at each relevant period. in the event that the valuation is performed prior to the effective valuation date, the prevailing yield at the time of valaution will be used.

The yield curve was used for the discount rate of the liability based on the current membership data, as at 30 June 2020.

Medical Aid inflation

The Medical Aid Contribution inflation rate was set with reference to the past relationship between the (yeild curve based) Discount rate for each relevant time period and the (yeild curve based) Medical Aid Contribution inflation for each relevant period. South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the past 10 years show that registered medical schemes contribution inflation outstripped general CPI by 3% year on year. These increases was not considered as sustainable, therefore the assumption that medical aid contribution increases would outstrip general inflation by 2% per annum over the foreseeable future was used. I

The CPI inflation was determine using the difference between the nominal and yield curves as at 30 June 2020. Thus, the medical aid contribution inflation was determined to be CPI+2%at date of valuation.

Maximum subsidy arrangements

Active members will receive a 60% subsidy of their medical aid contribution upon reaching retirment. The subsidy will be subjecetd to a maximum cap of R 4 492, whilst Continuation members will receive a 60% or 67% subsidy of their medical contribution. The subsidy will be subjected to a maximum cap of R 4 492. The maximum subsidy cap is expected to grow by 100% of the medical aid inflation.

Net effective discount rate

The relationship between the (yeild curve based) Discount rate and the (yeild curve based) Medical Aid Contribution Inflation for each relevant time period was used in determination of the resulting net effective discount rate in the GRAP 25 Valuation of Abaqulusi Local Municipality post-retirement medical aid benefits as at 30 June 2020..

Figures in Rand	2020	2019

7. Employee benefit obligations (continued)

Summary of membership data used in the valuation - Active Employees	**30 June 2020 - Males**	**30 June 2020 - Females**	**30 June 2019 - Males**	**30 June 2019 - Females**
Number of active employees	141	96	149	105
Subsidy weighted average age	47	44	45	43
Subsidy weighted average past service	14	12	12	9
Number of spouses	61	24	-	-
Average monthly subsidy payable during retirement (R)*	2 120	2 010	2 537	2 656
Average total monthly premium of Adult dependants (R)*	-	-	1 874	1 966
	-	-	-	-

Summary of membership data used in the valuation	**30 June 2020 - Males**	**30 June 2020 - Females**	**30 June 2019 - Males**	**30 June 2019 - Females**
Number of continuation members	20	28	21	30
Subsidy weighted Average age	72	77	71	76
Actual percentage married (%)	-	-	81	13
Average total monthly premium of Principal members (R)*	3 910	3 380	4 566	4 955
Average total monthly premium of adult dependants (R)*	-	-	3 090	3 408
	-	-	-	-

Figures in Rand	2020	2019

7. Employee benefit obligations (continued)

Long Service Awards

Assumptions used at the reporting date:		
Discount Rate	Yield Curve	8.20 %
CPI (Consumer Price Inflation)	Difference between nominal & real yield curve	4.50 %
Normal Salary Increase Rate	Equal to CPI+2%	6.50 %
Net Effective Discount Rate	Yield curve based**	1.60 %

7. Employee benefit obligations (continued)

Long service awards

Long service benefits are awarded in the form of leave days and a percentage of salary, which is in line with the number ofcompleted years in service as an employee. The awarded leave days are converted into a percentage of employee's annual salary. The conversion is based on a 250 working day year.

The most recent actuarial valuations of planned assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2020.

Methodology

GRAP 25 requires that the Projected Unit Credit Funding Method be used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date. At valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet the liability. Therefore no assets was consider as part of the valaution.

Valuation Assumptions

Discount rate

GRAP 25 requires that the discount rate be used in the valuation and be determined by reference to market yields at reporting date on government bonds. Where there is no deep market in government bonds wit a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term of discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yeild curve. Therefore in line with GRAP 25 the norminal and real zero curves as at 30 June 2020 supplied by the JSE was used to determine the discounts rates and CPI assumption at each relevant time period.

The yield curve was used for the discount rate of the liability based on the current employee data, as at 30 June 2020.

Salary inflation

We have derived the underlying future rate of the consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond Rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 2%. The salaries used in the valuation included an assumed increase on 1 July 2020 of 6,25%. The next increase is expected to take place on 1 July 2021. In the past, salary inflation has typically exceeded the Consumer Price Index (“CPI”) by a margin of around 2%.

The CPI inflation assumption using this methodology is equal to CPI + 2%.

Net effective discount rate

The net effective discount rate is dfferent for each relevant time period of the yeild curves various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary inflation for each relevant time period. Therefore Yield Curve based of these 2 variables was used in determination of the resulting net effective discount rate in the GRAP 25 Valuation of Abaqulusi Local Municipality long service award benefits as at 30 June 2020.

Summary of membership data used in the valuation - Current Employees	**30 June 2020 - Males**	**30 June 2020 - Females**	**30 June 2019 - Males**	**30 June 2019 - Females**
Number of current employees	270	134	275	141
Average age of employees	47	44	47	44
Average years of past service	14	12	13	11
Average annual salary	205 961	207 926	185 351	185 516
	-	-	-	-

Figures in Rand	2020	2019

8. Inventories

Electricity	5 845 669	5 814 302
Water	2 609 722	3 688 449
Rates and general	2 745 203	6 048 132
	11 200 594	15 550 883
Inventories (write-downs)	(314 670)	-
	10 885 924	**15 550 883**

Inventories are recorded using the weighted average cost method.

Inventory pledged as security

No inventory was pledged as security for either overdraft facilities or any financial liabilities of the municipality..

9. Receivables from non- exchange transactions

Sundry Debtors	428 232	332 012
Other Receivables	359 896	293 673
	788 128	**625 685**

10. Statutory Receivables

Traffic Fines Debtor	53 100 185	47 706 339
Property Rates Debtors	78 986 960	61 285 132
Traffic Fines Provision	(48 155 750)	(42 633 812)
	83 931 395	**66 357 659**

Statutory Receivables pledged as security

No receivables from non-exchange transactions were pledged as security.

Statutory Receivables - Property Rates

The ageing of Property Rates are as follows:

	2020	**2019**
Current (0 - 30 days)	5 444 621	4 133 891
31 - 60 days	2 698 651	1 725 093
61 - 90 days	2 370 611	1 621 222
91 - 120 days	2 422 129	1 478 847
121 - 365 days	13 712 068	9 517 079
> 365 days	52 338 880	42 809 000
	78 986 960	**61 285 132**

Reconciliation of provision for impairment statutory receivables - Traffic Fines

Opening balance	42 633 812	28 204 217
Provision for impairment	5 521 938	14 429 595
	48 155 750	**42 633 812**

The provision for impairment of Traffic Fines/offences was calculated in accordance with IGRAP 1. The proability test was applied on the revenue collection of Traffic Fines/offenses issued. The average collection rate applicable for 30 June 2020 was 9%, and 11% for 30 June 2019.

Figures in Rand	2020	2019

11. VAT receivable

VAT	22 346 081	6 148 553

The Municipality submits VAT 201 returns on payments basis to SARS, the amount disclosed in the Annual Financial Statements is on Invoice basis. The amount disclosed in the AFS is the net balance between vat receivable and vat payable.

12. Receivables from exchange transactions

Land Sales Debtors	5 502 319	5 502 319
Electricity	34 506 338	29 560 142
Water	35 226 619	33 078 460
Sewerage	38 238 013	32 194 897
Refuse	29 069 801	24 462 962
Agreement Installment	-	287 673
Sundry Debtors - Consumer Debtors	23 122 843	21 864 756
Sundry Debtors Exchange Transactions	2 408 730	1 792 441
	168 074 663	**148 743 650**

Less: Allowance for impairment applicable to the following receivables		
Electricity	(25 302 161)	(22 346 804)
Water	(25 130 327)	(21 908 146)
Sewerage	(24 770 563)	(21 815 205)
Refuse	(19 181 096)	(16 225 738)
Agreement Installment	-	(266 822)
	(94 384 147)	**(82 562 715)**

Net balance		
Land Sales Debtor	5 502 319	5 502 319
Electricity	9 204 177	7 213 338
Water	10 096 292	11 170 314
Sewerage	13 467 450	10 379 692
Refuse	9 888 706	8 237 224
Agreement Installment	-	20 851
Sundry Debtors - Consumer Debtors	23 122 843	21 864 756
Sundry Debtors Exchange Transactions	2 408 730	1 792 441
	73 690 517	**66 180 935**

Electricity		
Current (0 -30 days)	8 152 621	8 658 978
31 - 60 days	2 091 199	826 663
61 - 90 days	1 561 622	708 578
91 - 120 days	1 455 699	554 573
121 - 365 days	21 245 197	18 811 350
	34 506 338	**29 560 142**

Water		
Current (0 -30 days)	1 965 801	3 508 370
31 - 60 days	1 355 307	1 790 703
61 - 90 days	924 842	814 510
91 - 120 days	932 012	790 679
121 - 365 days	30 048 657	26 174 198
	35 226 619	**33 078 460**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

12. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	1 583 829	1 520 078
31 - 60 days	1 002 842	843 878
61 - 90 days	892 592	748 680
91 - 120 days	833 727	790 679
121 - 365 days	4 657 254	4 790 326
> 365 days	20 099 557	15 769 321
	29 069 801	**24 462 962**

Sewerage		
Current (0 -30 days)	2 236 728	2 173 817
31 - 60 days	1 481 760	1 153 008
61 - 90 days	1 220 481	1 015 292
91 - 120 days	1 136 406	937 736
121 - 365 days	6 237 421	5 491 378
> 365 days	25 925 217	21 423 666
	38 238 013	**32 194 897**

Consumer debtors pledged as security

No Consumer debtors were pledged as security

Consumer debtors past due but not impaired

At 30 June 2020, there are no Consumer debtors that are past due but not impaired.

12. Receivables from exchange transactions (continued)

In the determination of the amounts deemed to be impaired during the prior financial year end (2019/2020), the municipal impairment policy was applied as follows:

In terms of Paragraph 62, the municipality first assessed whether objective evidence of impairment existed individually for financial assets that were individually significant.
Significant debtors was then assessed on an individual basis to determine if there was objective evidence of impairment.

Government debt oustanding will also not be written off or provided for as monies from inter-government debt should be fully recoverable. Debtors balances will not be written off in terms of the municipal by laws for outstanding rates balances. The calculation for impairment excludes property rates, rates penalties, rates collection charges, legal fees, and all Government debt

In terms of GRAP, if an entity determines that no objective evidence of impaiment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk.

The Municipality is responsible for providing services to the community. In the asbsence of information that suggests otherwise, these members of the community can be seen to fall within the same credit risk. Normal Consumer debt will be assessed as a category on its own.

The impairment loss was calculated as the difference between the assets carrying amount and the present value of estimated future cashflows discounted at the financial assets original effective interest rate. The past payment history of consumser debtors was used as the basis to estimate the future cashflows. Once the estimated cashflow was establised, it was then discounted at the effective interest rate. The difference between the carrying value and the discounted cashflows is then the provision.

In the determination of the amounts deemed to be impaired in the current financial year end (2019/2020), the municipal impairment policy was applied as follows:

0% of consumer debt greater than 0 days but less than or equal to 90 days
50% of consumer debt greater than 91 days but less than or equal to 120 days
50% of consumer debt greater than 121 days but less than or equal to 150 days
100% of consumer debt greater than 151 days

The calculation for impairment excludes property rates, rates penalties, rates collection charges, legal fees, and all Government debt.

Reconciliation of allowance for impairment of consumer debtors

	2020	2019
Opening balance	82 562 715	52 221 504
Allowance for impairment	11 821 431	30 341 211
	94 384 146	**82 562 715**

Figures in Rand	2020	2019

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6 304	6 304
Bank balances	1 891 979	4 730 469
Short-term deposits	14 655 804	13 095 484
	16 554 087	**17 832 257**

Investments - Short-term Deposits

No short-term investment was pleged as security. Below is listing of short-terms investments held at Banking Institutuions in accordance with the MFMA as at 30 June 2020.

Nedbank - Account Number 037165020780-00030	3 880 975	1 259
Nedbank - Account Number 037165020780-00039	2 626 865	5 887 591
Nedbank - Account Number 037165020780-00040	498 395	529
Nedbank - Account Number 037165020780-00043	6 875 592	6 497 621
Nedbank - Account Number 037165020780-00044	700 704	637 395
ABSA Bank - Account Number 9195460586	240	527
ABSA Bank - Account Number 9122861337	2 219	2 459
Standard Bank - Account Number 06 846 176 3-011	66 381	63 785
Standard Bank - Account Number 06 846 176 3-003	4 433	4 318
	14 655 804	**13 095 484**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2020	**30 June 2019**	**30 June 2018**	**30 June 2020**	**30 June 2019**	**30 June 2018**
ABSA BANK - Cheque Account - 100 500 1109	1 961 650	29 029	53 379	1 294 177	29 029	53 379
Nedbank BANK - Current Account - 106 737 9770	3 900 049	4 396 218	4 917 120	597 802	4 701 440	5 034 989
Total	**5 861 699**	**4 425 247**	**4 970 499**	**1 891 979**	**4 730 469**	**5 088 368**

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
DOE	-	7 537 448
Gijima	38 830	38 830
Land use management	229 850	229 850
Provincial housing	60 000	60 000
Upgrade Billing Emondlo	3 166	3 170
Housing	225 383	225 383
Water massification	2 569	2 569
Cyber Cadet - Library Grant	-	357 854
MIG	1 262 429	6 390 365
EPWP	-	340 867
Department of Houing - Deeds Restoration	3 531 771	-
COGTA Thusong Centre Operational	49 962	127 000
Library	2 871 206	2 906 216
	8 275 166	**18 219 552**

See note 25 for reconciliation of grants from National/Provincial Government.

Figures in Rand	2020	2019

15. Provisions - Landfill Site Rehabilitation

Reconciliation of provisions - landfill site rehabilitation - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	30 444 602	1 525 697	31 970 299

Reconciliation of provisions - landfill site rehabilitation - 2019

	Opening Balance	Additions	Total
Environmental rehabilitation	27 141 705	3 302 897	30 444 602

The determination of the cost required for the rehabilitation of the Vryheid, Coronation and other landfill sites was done as at 30 June 2020.

There has been no change to the Louwsburg and Enyathi landfill sites.

The Cost estimate is based on 25% preliminary and general (P&G) and a 10% contingency of the construction amount for unforseen items.

Additions of R1 525 697.04 can be traced to solid waste-landfill sites on note 4.

	2020	2019
Vryhied	29 156 087	27 687 230
Louwsberg	251 500	251 500
Enyathi	1 261 535	1 261 535
Coronation	1 301 177	1 244 337
	31 970 299	**30 444 602**

16. Payables from exchange transactions

	2020	2019
Trade payables	91 738 381	89 352 497
Accruals	18 465 396	8 952 270
Hall deposits and refundable deposits	333 786	77 664
Retentions	8 176 377	8 173 271
Accrued leave pay	10 529 906	10 395 214
Unallocated Deposits	1 153 135	578 303
	130 396 981	**117 529 219**

17. Consumer deposits

	2020	2019
Electricity	13 933 183	14 243 452
Water	1 375 742	1 219 445
	15 308 925	**15 462 897**

Electricity and Water Services Security Deposits are paid by the new consumer when a service account is activated, The Deposit is held inlia of any outstanding debt to be settled, when the services account is closed. The Deposit is only refunded to the Conusmer once all outstanding charges are settled when the services are terminated.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

18. Revenue

Service charges	265 355 690	258 146 276
Rental of facilities and equipment	1 141 128	1 883 925
Licences and permits	3 646 403	4 492 555
Other income	1 237 811	2 968 531
Interest received - investment	1 867 041	365 096
Property rates	93 287 784	70 969 129
Property rates - penalties imposed	4 942 566	4 648 894
Other taxation revenue 1	6 033 796	16 943 750
Government grants & subsidies	220 384 766	182 810 610
Public contributions and donations	1 720 511	-
Fines, Penalties and Forfeits	218 643	-
	599 836 139	**543 228 766**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	265 355 690	258 146 276
Rental of facilities and equipment	1 141 128	1 883 925
Licences and permits	3 646 403	4 492 555
Other income	1 237 811	2 968 531
Interest received - investment	1 867 041	365 096
	273 248 073	**267 856 383**

The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	93 287 784	70 969 129
Property rates - penalties imposed	4 942 566	4 648 894
Other taxation revenue 1	6 033 796	16 943 750
Transfer revenue		
Government grants & subsidies	220 384 766	182 810 610
Public contributions and donations	1 720 511	-
Fines, Penalties and Forfeits	218 643	-
	326 588 066	**275 372 383**

19. Service charges

Sale of electricity	189 791 338	181 363 862
Sale of water	32 615 163	32 176 050
Solid waste	16 192 876	18 847 559
Sewerage and sanitation charges	26 756 313	25 758 805
	265 355 690	**258 146 276**

20. Municipal Traffic Fines

Traffic Fines	6 033 796	16 943 750

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

21. Fines, Penalties and Forfeits

Library Fines - Overdue Books	5 147	-
Illegal Connections - Fines	213 496	-
	218 643	**-**

22. Other income

Commission income	133 877	243 150
Other income windeed and site rentals	1 103 934	2 725 381
	1 237 811	**2 968 531**

23. Investment revenue

Interest revenue		
Interest from investment and bank	1 867 041	365 096

24. Property rates

Rates received

Property Rates	93 287 784	70 969 129
	93 287 784	70 969 129
Property rates - penalties imposed	4 942 566	4 648 894
	98 230 350	**75 618 023**

Valuations

Residential (R 0.0084341)	4 131 699 000	4 130 544 000
Commercial (R 0.0210853)	1 500 450 000	1 549 526 000
Place of Worship (R0.00)	99 167 000	99 167 000
Vacant Land (R 0.0210853))	149 110 500	149 894 500
Public Service Infrastructure (R0.00)	74 602 300	74 202 300
Agriculture (R 0.0021087))	3 548 017 000	3 552 036 000
Municipal (R0.00)	265 589 000	253 736 000
Privately owned cemetry (R0.00)	300 000	300 000
Public benefit organization (R0.0021087)	55 144 000	4 001 000
Public Service Purpose (R 0.0210853)	1 063 122 000	1 089 824 000
	10 887 200 800	**10 903 230 800**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 28 February 2019. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. .

Rate are levied on a monthly basis with a final date for payment being the 09th of every month. Interest plus prime at 1% per annum is levied on outstanding rates

Rates on indigent, pensioners and person with disability grants and child headed households amount to: R 548.11 per annum

Rates will be due and payable in 12 equal or near installments on the 09 of each month, when the 09th is a public holiday or weekend the first day thereafter. Any rates not paid on the due dates will be subject to interest at the rate prime plus 1%. This notice is available on the municipalities website.
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Figures in Rand	2020	2019

25. Government grants and subsidies

Operating grants		
Equitable share	148 281 000	130 262 000
DOE	18 749 448	14 977 259
EPWP Grant	1 994 866	954 133
Finance Management Grant (FMG)	2 235 000	1 770 000
Provincial Housing Grant	460 900	-
Library	4 319 010	4 332 727
Cyber Cadet	357 854	210 770
Museum	-	192 000
COGTA Thusong Operational	76 958	65 000
Provincial Housing - Deeds Restoration Programme	347 880	-
Disaster Management Grant - COVID19	1 302 000	-
	178 124 916	**152 763 889**

Capital grants		
MIG	42 259 850	30 046 721
	220 384 766	**182 810 610**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

This grant is unconditional that supplements the revenue that municiplaities can raise themselves.

Equitable Share

Current-year receipts	148 281 000	130 062 000
Conditions met - transferred to revenue	(148 281 000)	(130 062 000)
	-	**-**

DOE Grant

Balance unspent at beginning of year	7 537 447	25 714 707
Current-year receipts	19 000 000	15 000 000
Conditions met - transferred to revenue	(18 749 447)	(14 977 269)
Transfer to Equitable Share - roll over not approved	(7 788 000)	(18 200 000)
	-	**7 537 447**

Conditions still to be met - remain liabilities (see note 14).

Gijima

Balance unspent at beginning of year	38 830	38 830

Conditions still to be met - remain liabilities (see note 14).

Land use management

Balance unspent at beginning of year	229 850	229 850

Conditions still to be met - remain liabilities (see note 14).

Provincial Housing Grant

Balance unspent at beginning of year	60 000	60 000

Figures in Rand	2020	2019

25. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 14).

MIG

Balance unspent at beginning of year	6 390 365	-
Current-year receipts	37 135 000	36 437 086
Conditions met - transferred to revenue	(42 259 850)	(30 046 721)
	1 265 515	**6 390 365**

Conditions still to be met - remain liabilities (see note 14).

The Municipality re-prioritised the current MIG Allocations to deal with the COVID 19 Pandemic. The projects that was funded from this process was for Water & Sanitation for Informal Settlements, and Emergency repairs to existing infrastructure.

FMG

Current-year receipts	2 235 000	1 770 000
Conditions met - transferred to revenue	(2 235 000)	(1 770 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 14).

Upgrade Billing Emondlo

Balance unspent at beginning of year	3 166	3 166

Conditions still to be met - remain liabilities (see note 14).

Housing Grant

Balance unspent at beginning of year	225 383	225 383

Conditions still to be met - remain liabilities (see note 14).

Emergency Repair Grant (COGTA) - water masification

Balance unspent at beginning of year	2 569	2 569

Conditions still to be met - remain liabilities (see note 14).

Library Grant

Balance unspent at beginning of year	2 906 216	3 571 943
Current-year receipts	4 284 000	3 667 000
Conditions met - transferred to revenue	(4 319 010)	(4 332 727)
	2 871 206	**2 906 216**

Conditions still to be met - remain liabilities (see note 14).

Museum Grant

Current-year receipts	-	192 000
Conditions met - transferred to revenue	-	(192 000)

Figures in Rand	2020	2019

25. Government grants and subsidies (continued)

	-	-

Conditions still to be met - remain liabilities (see note 14).

Cyber Cadet Library Grant

Balance unspent at beginning of year	357 854	174 624
Current-year receipts	-	394 000
Conditions met - transferred to revenue	(357 854)	(210 770)
	-	**357 854**

Conditions still to be met - remain liabilities (see note 14).

EPWP Grant

Balance unspent at beginning of year	340 867	-
Current-year receipts	1 654 000	1 295 000
Conditions met - transferred to revenue	(1 994 867)	(954 133)
	-	**340 867**

Conditions still to be met - remain liabilities (see note 14).

Department of Housing - Deeds Restoration

Current-year receipts	3 879 651	-
Conditions met - transferred to revenue	(347 880)	-
	3 531 771	**-**

Conditions still to be met - remain liabilities (see note 14).

COGTA Thusong Centre Operational

Balance unspent at beginning of year	126 920	191 920
Conditions met - transferred to revenue	(76 958)	(65 000)
	49 962	**126 920**

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Human Settlements - Mzamo Housing Project

Current-year receipts	460 900	-
Conditions met - transferred to revenue	(460 900)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Disaster Relief Grant - COVID19

Current-year receipts	1 302 000	-
Conditions met - transferred to revenue	(1 302 000)	-
	-	**-**

Figures in Rand	2020	2019

25. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 14).

Figures in Rand	2020	2019

26. Employee related costs

Basic	114 461 276	99 066 289
Bonus	6 701 083	3 981 841
Car allowance	2 298 654	1 869 572
Housing benefits and allowances	1 062 017	1 260 607
Leave pay provision charge	358 539	(2 987 502)
Medical aid - company contributions	5 583 941	3 210 168
Cellphone Allowances	1 337 649	1 019 702
Pension Fund Contributions	16 107 716	15 328 566
Other Allowances include Bargain Council, Tool Allowance, Travel & Incidental, Standby & Uniform	384 976	3 483 777
Overtime payments	1 625 203	10 538 120
SDL	186 375	1 142 105
UIF	236 989	684 706
	150 344 418	**138 597 951**

Remuneration of Municipal Manager - Mr. BE Ntanzi

Annual Remuneration	1 259 210	1 313 058
Car Allowance	91 472	36 000
Cellphone Allowance	36 000	-
Contributions to UIF, Medical and Pension Funds	-	32 170
Travel & Subsistence	12 110	64 295
Backpay	188 118	-
	1 586 910	**1 445 523**

The Municipal Manager was placed on suspension from the 1 November 2019 to 31 March 2020 with full pay. Mr. ZT Shongwe was seconded by COGTA for this period and he was remunerated by the Municipality.

Remuneration of Chief Financial Officer - Mr. HA Mahomed

Annual Remuneration	961 836	932 548
Backpay	146 439	-
Acting Allowance	14 002	-
Cellphone Allowance	30 000	30 000
Subsistence & Travel	66 270	49 319
Other	-	55 610
	1 218 547	**1 067 477**

Remuneration of Director Technical Services - Mr. TR Malunga

Annual Remuneration	699 411	325 722
Backpay	14 036	-
Cellphone Allowance	20 000	10 000
Subsistence & Travel	3 903	15 635
Other	-	66 883
	737 350	**418 240**

Mr. TR Malunga seconded by COGTA from 1 October 2019, and he was remunerated by the Municipality

Remuneration of Director Corporate Services - Ms. SP Dlamini

Annual Remuneration	855 658	932 548
Car Allowance	186 178	-
Backpay	146 439	-

Figures in Rand	2020	2019

26. Employee related costs (continued)

Cellphone Allowance	30 000	30 000
Subsistence & Travel	23 425	16 947
Other	168 010	8 864
	1 409 710	**988 359**

Remuneration Director Community Services - Mr. SW Zondo

Annual Remuneration	699 411	310 849
Backpay	14 036	-
Cellphone Allowance	20 000	10 000
Subsistence & Travel	17 918	6 443
Other	-	71 508
	751 365	**398 800**

Mr. SW Zondo was seconded by COGTA from 1 October 2019 and he was remunerated by the Municipality

Remuneration Director Planning and Development - Mr. JS Landman

Annual Remuneration	721 377	700 406
Car Allowance	240 459	-
Cellphone Allowance	30 000	30 000
Subsistence & Travel	6 063	21 559
Backpay	146 439	-
Acting Allowance	7 001	-
Other	-	6 833
	1 151 339	**758 798**

Acting Municipal Manager - Mr. ZT Shongwe

Annual Remuneration	547 452	-
Cell Phone allowance	13 166	-
Travel & Subsistence	78 406	-
Backpay	127 741	-
	766 765	**-**

Figures in Rand	2020	2019

27. Remuneration of Councillors

Mayor	43 556	831 361
Deputy Mayor	586 678	688 786
Executive Committee Members	3 413 836	3 853 512
Speaker	530 816	686 691
Councillors	8 822 624	8 511 066
Councillors Travel allowance	-	35 776
Councillors Car Allowance	1 638 527	1 535 953
	15 036 037	**16 143 145**

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time employees. The Mayor, Deputy Mayor and Speaker are each provided with an office and secretarial support at the cost of the Municipality. The Executive Committee members are provided with an office only. The Mayor, Deputy Mayor and the Speaker each has a full time bodyguard and a driver.

The Mayor resigned on the 17 July 2019, and his duties was fufilled by Deputy Mayor.

Mayor		
Salary	41 230	787 061
Cellphone Allowance	2 326	44 400
	43 556	**831 461**

Deputy Mayor		
Salary	580 929	629 647
Subsistance Allowance	-	14 739
Cellphone Allowance	5 749	44 400
	586 678	**688 786**

Speaker		
Salary	527 116	629 646
Subsistance Allowance	-	12 644
Cellphone Allowance	3 700	44 400
	530 816	**686 690**

Other Councillors		
Salary	8 822 624	8 511 066
Cellphone Allowance	1 638 527	1 535 953
Subsistance Allowance	-	35 776
	10 461 151	**10 082 795**

28. Depreciation, amortisation and impairment

Property plant & Equipment	48 030 989	72 347 168
Intangible Assets	301 645	301 152
	48 332 634	**72 648 320**

29. Finance costs - Interest Paid Overdue Accounts

Interest Bank	321 414	1 584 104
Interest on overdue accounts	906 080	513 447
SARS Penalties	334 117	-
	1 561 611	**2 097 551**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

30. Repairs and maintenance

Buildings, facilities and other assets	732 644	1 692 428
Repairs to pump stations -waste water works	-	2 941 372
Repairs to Roads - Potholes	4 267 410	-
Street Lights - electricity	10 793	7 052
Connections & Switches - electrcity	253 025	3 055 469
Buildings - electricity	571 188	1 152 930
Maintenance equipment	1 006 649	10 147
	6 841 709	**8 859 398**

31. Contracted Services

Burial services	64 000	560 200
Catering services	29 032	171 252
Computer Services	7 161 185	5 032 715
Electrical costs	18 245 088	9 788 394
Event promoters	-	31 400
Maintenance of assets	12 151 287	10 487 664
Meter Reading	2 986 383	3 174 233
Other Financial Services	5 783 135	10 678 264
Planning and Development	148 825	1 890 117
Refuse Removal	11 215 490	12 850 074
Security	13 907 921	14 702 303
Hire of vehicles	6 266 862	13 209 627
	77 959 208	**82 576 243**

32. Provision for impairment

Traffic fine impairment	5 521 938	14 429 595
Provision for impairment debtors	11 821 431	30 341 211
	17 343 369	**44 770 806**

33. Bulk purchases

Electricity	215 715 409	165 871 402

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

34. General expenses

Advertising	683 434	963 108
Auditors remuneration	3 118 018	2 867 098
Bank charges	1 610 236	1 447 490
Commission on vendor sales	1 892 285	1 789 518
Consumables	14 668 298	19 909 555
Delivery expenses	8 084	42 889
Fuel and oil	2 389 102	2 358 640
Expanded Public Work Programme (EPWP)	3 854 769	954 133
Insurance	1 402 358	3 000
Inventory written off	-	314 799
Legal expenses	3 653 622	12 083 248
Project management fees - High Street bridge	-	1 208 362
Other expenses	852 164	4 818 481
Postage and courier	1 106 318	1 342 733
Protective clothing	289 732	82 283
Subscriptions and membership fees	3 207 699	523 519
Telephone and fax	1 157 865	865 897
Title deed search fees	-	7 735
Travel - local	393 612	101 627
	40 287 596	**51 684 115**

35. Fair value adjustment - Land

Property, plant and equipment - Land	79 000	-

36. Auditors' remuneration

Fees	3 118 018	2 867 098

37. Cash generated from operations

Surplus (deficit)	25 953 653	(27 959 743)
Adjustments for:		
Depreciation and amortisation	48 332 634	72 648 320
Fair Value Adjustment - PPE Land	79 000	-
Gain on discontinued operations	-	35 010
Fair value adjustments	4 861 500	(14 952 431)
Donation Transfer	(1 720 511)	-
Inventory Write Down	314 670	-
Provision for Impairment	17 343 369	44 770 806
Movements in Provisions	-	3 302 897
Movements in retirement benefit assets and liabilities	8 944 000	(1 071 000)
Leave pay provision	(134 692)	(3 936 485)
Changes in working capital:		
Inventories	4 664 959	(1 306 704)
Receivables from non- exchange transactions	(23 258 117)	(23 507 114)
Receivables from exchange transactions	(19 331 013)	(25 408 732)
Payables from exchange transactions	(12 733 070)	28 947 132
VAT	(9 045 924)	(8 589 842)
Unspent conditional grants and receipts	(9 871 081)	(11 949 476)
Consumer deposits	153 972	2 263 091
	34 553 349	**33 285 729**

Figures in Rand	2020	2019

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	22 134 289	17 107 046
• Investment property	-	3 913 852
	22 134 289	**21 020 898**

Not yet contracted for and authorised by accounting officers		
• Property, plant and equipment	169 767 616	-

Total capital commitments		
Already contracted for but not provided for	22 134 289	21 020 898
Not yet contracted for and authorised by accounting officers	169 767 616	-
	191 901 905	**21 020 898**

Project	**Commitment 2020**
Bekezulu Library Ward 11 (Multipurpose Centre)	4 553 108
Cecil Emmett Hall Ward 08	2 075
Cliffdale Hall Ward 7	2 335 900
Coronation Community Hall Ward 06	434 314
Crossroads Substation	1 995 531
COVID 19 Emergency Interventions	988 788
Porvision of Water & Sanitation to Informal Settlements - COVID 19	800 245
Louwsburg Taxi Rank	61 375
Makhukhula Community Hall Ward 4	2 290 152
Ncengumusa Creche Ward 18	21 199
Road Paving - New Lakeside	413 303
Tarring of Road from KwaBalele to next to Police Station Phase 1&2	6 013 406
Tarring of Road from Zama to kwaBalele - Bhekumthetho Ward 19	2 224 892
	22 134 288
	22 134 288

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

39. Contingencies

Legal letters were sent to the Municipalitiy's attorneys in order to obtain details of potential claims. The details of the claimant and an estimation of the potential claim is detailed below:

The Natal Joint Pension Fund has a counter claim against the municiplaity for Pension Funds contributions paid to the SALA Pension Fund. Should the claim with SALA Pension Fund be successfull the amount claimed will be paid to Natal Joint Pension Fund instead.

Contingencies		
Sibisi AD and others	-	100 000
Matusa	-	100 000
Independent Baptist Church	-	300 000
Sibiya QJ and other	-	100 000
PWC	-	50 000
Makwatheni Community	-	100 000
Mlambo P & L & others	-	120 000
Mbatha BM & others	-	170 000
Quorum of council / The premier KZN	-	57 500
Kuntwela Enzazi Ventures	539 411	172 500
Sengikona Solutions	-	287 500
Sala pension fund	16 113 397	365 000
Msaefane Trading (Pty) Ltd	2 700 000	-
Mthembu ZP & Mthembu N	3 000 000	-
D Bakker	17 990	-
I E Brand	615 090	-
Quantum Leap (Pty) Ltd	13 043 700	-
Autumn Storm Investments (Pty) Ltd	17 000 000	-
E Maphari	100 000	-
	53 129 588	**1 922 500**

Contingent assets

Employee Mrs. GSD Khumalo made a fraudent payment of R 3,918,716.89 to her personal bank account. Subsequently the employee was dismissed and criminal proceedings was instituted. A recovery of R 3,336,376.14 from the employee's seized bank accounts was made by the Municipality's Attorneys Shaheed Abdulla & Co. The monies at the time of reporting was held in trust with the Attorney, and will paid over to the Municipality once the Attorney has finalised their costs.

40. Related parties

During the current financial year the following related party transactions were identified:

Lithotech was in service of the state (Ethekwini Municipality) as declared on the MD4 dated 9 September 2014.

The SCM Management conducted a search on the central supplier database (CSD) and the following entity's was identified as related parties.

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Lithotec sales KZN	48 213	59 050
Conlog (Pty) Ltd	965 356	66 815
Vodacom (Pty) Ltd	642 920	450 418
Altron TMT SA Group	70 528	523 326
	1 727 017	**1 099 609**

In addition refer to note on irregular expenditure

Figures in Rand	2020	2019

41. Prior period errors

During the financial year 2019/2020 the following prior period errors were identified and corrected. These corrections were made to correctly reflect the comparative figures for the 2018/2019 financial year.

The note below outlines the reasons for the necessary adjustments:

41. Prior period errors (continued)

Trade payables	**2020**
Balance as previously reported	(139 749 647)
Credit Notes processed to correct Creditors Listings	22 220 424
Restated balance as at 30 June 2019	**(117 529 223)**

Cash & Cash Equivalents	**2020**
Balance previously reported	17 870 625
Bank transfers not recorded	(38 369)
Restated balance as at 30 June 2019	**17 832 256**

Receivable from Non - exchange transactions	**2020**
Balance as previously reported	66 942 429
Reversal of Transactions posted to Control Account in the 2017 & 2018 Financial years JNL 246661	40 915
Restated balance as at 30 June 2018	**66 983 344**

Property plant and equipment	**2020**
Balance as previously reported - Cost	3 402 863 994
Vehicles not Capitalised	7 970 979
Restated balance as at 30 June 2019	**3 410 834 973**

Receivables from exchange transactions	**2020**
Balance Previously reported	66 520 447
Interface error 2017 Sundry Debtors	(339 512)
Restated balance as at 30 June 2019	**66 180 935**

Property plant and equipment	**2020**
Balance Previously reported - Accumulated Depreciation	(1 999 841 100)
Depreciation on Vehicles not capitalised	(1 138 711)
Depreciation incorrectly calculated on Landfill Sites	1 260 384
Restated balance as at 30 June 2019	**(1 999 719 427)**

Accumulated surplus	**2020**
Balance as perviously reported	(1 377 089 139)
Credit Notes processed to correct Creditors Listings	(22 220 424)
Vehicles not capitalised	(7 970 979)
Depreciation on Vehicles not capitalised	1 138 711
Depreciation incorrectly calculated on landfill site	(1 260 384)
Consumer Deposits incorrectly posted	3 604 527
Bank transfers not recorded	38 369
Interface error Sundry Debtors 2017	339 512
Reversal of Transactions posted to Control Account in the 2017 & 2018 Financial years JNL 246661	(40 915)
Restated balance as at 01 July 2019	**(1 403 460 722)**

Consumer Deposits	**2020**
Balance as previously reported	(11 858 370)
Deposits Incorrectly posted	(3 604 527)
Restated balance as at 01 July 2019	**(15 462 897)**

42. Comparative figures

Certain comparative figures have been reclassified and restated.

Figures in Rand	2020	2019

43. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had accumulated surplus of R 1 429 414 375 and that the municipality's total assets exceed its liabilities by R 1 429 414 375.

Going Concern Assessment of AbaQulusi Local Municipality was performed by Management for the financial year ending 30 June 2020.

Ratio Analysis

The following financial ratios were considered:

Asset Test Ratio

Financial Year	Current Assets	Current Liabilities	Acid Test Ratio
2017/2018	135,455,695	153,571,424	0.88
2018/2019	157,145,088	169,778,433	0.92
2019/2020	195,516,532	157,126,074	1.24

The asset test ratio is calculated as a municipality’s current assets minus inventory divided by current liabilities. The accepted acid test ratio is considered to be 1:1.

Current Asset Ratio

Financial Year	Current Assets	Current Liabilities	Current Asset Ratio
2017/2018	149,699,874	153,571,424	0.97
2018/2019	172,695,971	169,778,433	1.02
2019/2020	208,196,132	157,126,073	1.32

The current ratio (also known as the working capital ratio) is calculated as current assets divided by current liabilities. This ratio measures the extent to which current or short-term assets can be disposed to liquidate the current or short-term liabilities. The acceptable ratio is 1.5:1.

Debt Ratio

Financial Year	Total Liabilities	Total Assets	Debt Ratio
2017/2018	251,448,129	1,653,850,119	15%
2018/2019	266,319,035	1,654,580,995	16%
2019/2020	246,471,372	1,675,885,747	14%

The debt ratio is the proportion of debt the entity has relative to its assets and provides an indication as to how much the municipality relies on debt to finance their assets. This ratio assists entities to assess risks they are facing in terms of their debt load.

Approximately 16% of municipal assets were financed through debt in the 2018/2019 financial year, and approximately 14% in the 2019/2020 financial year.

Figures in Rand	2020	2019

43. Going concern (continued)

The proportion of debt to asset is quite low and in a favourable position.

Anticipated Revenue

The municipality expects to receive the following grants in the year 2020/21 financial year.

Grant	Amount
Equitable Share	R 192 605 000
Municipal Infrastructure Grant	R 36 904 000
Financial Management Grant	R 2 600 000
National Electrification Grant	R 10 000 000

Based on the above revised ratios and extract of the revised Profit/ Loss, there is no indication that the Municipality may not meet its obligations as they become due in the short term. In addition, there is no indication of material uncertainties or events that cast doubt on the municipality’s ability to continue as a going concern.

The annual financial statements will be prepared on the basis of accounting policies applicable to a going concern.

The going concern principle is the assumption that an entity will remain in operation for the foreseeable future. Conversely, this means the entity will not be forced to halt operations and liquidate its assets in the near term.

The municipality is assumed to be a going concern in the absence of significant information to the contrary. An example of such contrary information is the municipality's inability to meet its obligations as they come due.

Going forward, in addition to the continued receipt of grant funding from National Treasury for operations in the form of Equitable Share, management intends enforcing more stringent controls around debt collection, awarding of contracts and spending in accordance with the municipal budget. The municipality has begun a process of curbing all un-necessary expenditure with a key focus on cost containment.

In addition, the councillors have reviewed the entity’s cash flow forecast for the year ended 30 June 2021 and, considering this review and the current financial position, they are satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

CONCLUSION:

Therefore, Management is of the opinion that the municipality will be operational in foreseeable future, as this is largely due to allocation of Grant Funding from National Government for its operations in the form of the Equitable Share, and thus the going concern basis is an accurate basis for the preparation of the Annual Financial Statements as at 30 June 2020

44. Events after the reporting date

There were no adjusting or non-adjusting events after the reporting period.

45. Unauthorised expenditure

Unauthorised expenditure Opening Balance	304 455 712	233 938 158
Add: Expenditure identified current	-	70 517 554
Less: Amounts investigated and condoned by Council	(101 430 393)	-
	203 025 319	**304 455 712**

The over expenditure incurred by municipal departments during the year is attributable to the following categories

45. Unauthorised expenditure (continued)

Non- cash		25 498 539.00	44 859 136.00
Cash		39 277 020.00	26 658 418.00
	-	**64 775 559.00**	**71 517 554.00**
	-	-	-
	-	-	-
	-	-	-
Analysed as follows: non-cash		-	-
Provision for doubtful debts		9 462 369.00	44 770 806.00
Depreciation		-	53 320.00
Fair value loss - Investment Property		4 861 500.00	35 010.00
Fair value loss - Land		79 000.00	-
Service & Interest Costs Post Employee		10 781 000.00	-
Inventory Write-down		314 670.00	35 010.00
	-	**25 498 539.00**	**44 859 136.00**
	-	-	-
	-	-	-
Analysed as follows: cash		-	-
Personnel		-	-
Finance costs		1 561 611.00	2 097 551.00
Lease rentals operating lease		-	-
Bulk purchases		37 715 409.00	6 768 902.00
Grant expenditure		-	-
General expenses		-	7 932 567.00
Repairs and maintenance		-	8 859 398.00
	-	**39 277 020.00**	**25 658 418.00**

46. Fruitless and wasteful expenditure

Opening Balance	20 838 948	19 504 987
MUNSOFT	75 102	-
Eskom Interest	737 864	418 689
SARS	334 117	-
Telkom Interest	22 898	12 880
Auditor General	70 216	81 878
Kambula Electrical	-	696 896
T & J Electrical	-	123 618
Less: Amounts investigated and condoned by Council	(19 504 987)	-
	2 574 158	**20 838 948**

Figures in Rand	2020	2019

47. Irregular expenditure

Opening Balance	174 514 721	159 389 040
Bidvest Steiner	-	19 967
Bigen Africa	2 063 381	829 151
Daisy communications	7 073	77 730
Courier Services	-	18 315
Cascade consulting	-	46 000
Emondlo Bus Services	-	145 000
KD Electrical	-	79 468
Link up security	1 045 733	554 787
MWEB Connect (Pty) Ltd	-	40 983
Municipal Incorp	-	309 167
Nashua	-	5 628
RIS Vehicle Hire	-	899 949
Reochem (Pty) Ltd	-	2 975 806
Rumas	-	199 500
Kwankenenda	-	90 000
Bidvest Waltons	-	182 111
KFC Engineering	-	41 641
Stainer Hygiene (Pty) Ltd	-	60 143
TK Gutters	-	948 861
Time Freight	-	62 224
Wesbank Fleet	-	7 970 979
Vermaak	-	140 455
Windeed Systems	6 336	24 777
NMK Forensics	771 019	-
Uhaqane MI Contractors	324 300	-
Inhlanzeko Project Management Services	1 362 175	-
Charlie and Lucky Trading Enterprise	65 000	-
Top Brand Media (Pty) Ltd	70 000	-
Noziphozipho Catering	16 000	-
Veez Micro Enterprize (PTY) Ltd	29 038	-
Blue Exact Holdings	135 690	-
Vryheid Forestry	95 015	-
LNQ Trading Commissions cc	136 000	-
Less: Amounts Investigated and Condone by Council	(14 781 181)	-
	165 860 300	**175 111 682**

Figures in Rand	2020	2019

48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the MPAC and includes a note to the annual financial statements.

The current deviations related to various expenditure due to emergencies related to the COVID 19 Pandemic as of 26 March 2020 to 30 June 2020 and other service delivery emergencies, making it impossible to follow the procurement process

Supply Chain Management Deviations more than R 200 000		
Bell equipment	-	219 764
Abaphumelei Trading 651	-	298 080
Kambula Electrical	-	530 409
Mpitetsana Trading Enterprise (Pty) Ltd	-	701 063
Msuftu Transport	-	377 574
T & J Electrical	-	290 105
Emergency gutters and plumbers (TK Gutters)	-	351 900
Inqubeko Engineering Solutions	310 420	-
Msuftu Transport	1 201 485	-
Enduneni Contractors - COVID 19 Emergencies	264 500	-
Mannacorp 115 cc - COVID 19 Emergencies	439 013	-
Tupelovox (Pty) Ltd - COVID 19 Emergencies	878 927	-
Sizamile Sanqoba Contruction -COVID 19 Emergencies	290 000	-
	3 384 345	**2 768 895**

Supply Chain Management Deviations less than R 200 000		
Various deviations less than R 200 000	2 504 570	785 632

49. Distribution Losses

The actual loss in distribution water cannot be determined in view of the fact that eMondlo consumers are not billed. The difference between water purified and sold can therefore not be regarded as lost in distribution, seeing that a large percentage of it is not metered.

Electricity		
No of consumers (Residential & Commercial)	20 887	19 316
Units purchased	145 020 912	148 062 579
Units sold	120 292 677	120 606 457
Units lost in distribution	24 728 236	27 456 121
% lost in distribution	17	19
Total costs (expenses)	244 054 023	165 871 402
Cost per unit purchased	2	1
Total cost lost through distribution	41 614 863	30 758 517
	-	-

Figures in Rand	2020	2019

49. Distribution Losses (continued)

Water		
No of consumers (Residential & Commercial)	16 089	18 121
Kilolitres purified	8 504 365	8 136 845
Unit sold (Total)	2 252 956	2 339 901
Units lost through distribution	6 251 409	4 894 312
% lost in distribution	74	60
Total costs (expenses)	22 413 722	26 394 787
Cost per kilolitre purified	3	3
Total cost lost through distribution	16 475 933	15 876 462
	-	-

50. Water Inventory

Weighted Average costs	74 525	65 026

Dipstick readings were done at year end to determine water on hand, all water costs were taken into account to determine the cost per kilolitre. The weighted average cost method is used to multiplied the kilolitres on hand at year end to determine the Rand value of water on hand. The comparative figures was restated on the same accounting basis for Financial year ended 30 June 2019.

51. Risk Mangement

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate, utilised borrowing facilities are monitored. The liquidity ratio is outlined below:

Financial Instruments		
Current Assets	208 196 132	172 695 971
Current Liabilities	(157 126 073)	(169 778 433)
	-	-
Liquidity Ratio	1.32	1.02

Interest Rate Risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At 30 June 2020, financial instruments exposed to interest rate risk were call and notice deposits.

Credit Risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis in terms of council policy. Sales to consumer customers are settled in cash. The Municipalities exposure to credit risk is indicated below.

Cash and cash equivalents	16 554 087	17 832 256
Receivables from non-exchange transactions	84 719 523	66 983 344
Receivables from exchange transactions	73 690 517	66 180 935
	-	-

Figures in Rand	2020	2019

52. Additional Note in terms of the Municipal Finance Management Act

PAYE & UIF		
Current year payroll deductions	26 173 715	24 634 047
Amount paid current year	(26 173 715)	(24 634 047)
	-	-

SDL		
Current year payroll deductions	1 168 682	1 328 640
Amount paid current year	(1 168 682)	(1 328 640)
	-	-

Councillor's arrear consumer account as at 30 June 2020	**Current**	**30 to 60 Days**	**90 days**	**>90 days**	**Total**
JJ Jones	2 246	-	-	-	2 246
SS Siyaya	805	-	-	-	805
TZ Mavundla	1 107	1 249	823	480	3 659
CJQ Radebe	280	-	-	-	280
DJ Mahlase	641	-	-	-	641
R Ally	894	1 791	921	23 263	26 869
MA Hlatshwayo	-	-	-	66 868	66 868
MB Mabaso	652	816	363	-	1 831
MP Williams	806	-	-	-	806
MS Ngidi	1 066	1 916	859	165	4 006
	8 497	**5 772**	**2 966**	**90 776**	**108 011**

Councillor's arrear consumer accounts as at 30 June 2019	**Current**	**30 to 60 days**	**90 days**	**>90 days**	**Total**
JJ Jones	1 832	-	-	-	1 832
ZH Nxumalo	664	824	371	9 522	11 381
TZ Mavundla	428	769	451	5 617	7 265
MB Mabaso	708	736	-	-	1 444
MP Williams	670	-	-	-	670
MS Ngidi	252	59	-	-	311
	4 554	**2 388**	**822**	**15 139**	**22 903**

Councillor MA Hlatshwayo has a debt agreement with the municipality to settle his oustanding consumer account. The municipality makes a monthly deduction from his salary towards this Debt.

53. Budget differences

Material differences between budget and actual amounts

53. Budget differences (continued)

53.1. The Nationawide lockdown implemented in accordance with the Disaster Management Act, as a result of the COVID 19 pandemic, required the municipality to clsoe all community facillities from 27 March 2020, until lockdown restictions was eased to level 1 therefore municipal revenue streams was affected..

53.2 - The Nationawide lockdown implemented in accordance with the Disaster Management Act, as a result of the COVID 19 pandemic, required the municiplaity to close the Motor Licencing Office from 27 March 2020, until lockdown restictions was eased to level 1, therefore municipal revenue streams was affected..

53.3 - The Nationawide lockdown implemented in accordance with the Disaster Management Act, as a result of the COVID 19 pandemic required the municipality to close it offices from 27 March 2020, until lockdown restictions was eased to level 1, therefore municipal revenue streams was affected.

53.4 - The municipality is experiencing historically non-payment from customers and The Nationawide lockdown implemented in accordance with the Disaster Management Act, as a result of the COVID 19 pandemic, from 27 March 2020, until lockdown restictions was eased to level 1, affected the collection of revenue for Property Rates Penalties.

53.5 - Donated Water Tanker was received from Department of Transport.

53.6 - The Nationawide lockdown implemented in accordance with the Disaster Management Act, as a result of the COVID 19 pandemic required residents to stay at home with only essential services allowed to work. This limited movement of traffic volumes, prevented the municipality to implement any traffic violations from 27 March 2020, until lockdown restictions was eased to level 1, therefore municipal revenue streams was affected.

53.7 - Vacant post not filled due to The Nationawide lockdown implemented in accordance with the Disaster Management Act, as a result of the COVID 19 pandemic required the municipality to close it offices from 27 March 2020, until lockdown restictions was eased to level .

53.8 - The municipality implemented 95% of the councillor allowance increase as approved by COGTA. Secondly the municiplaity didnt have a full time Mayor since July 2019, this resulted in the savings on Councillor remuneration.

53.9 - The municipality incurred interest on overdue accounts which was unplanned. These items have been disclosed in Note 43 for fruitless and wasteful expenditure.

53.10 - The conditional assessment was performed all categories of assets and this lead to the Useful life of the assets being extended, therefore a savings on depreciation

53.11 - The provision for doubtful debts was under-budgeted. This will be disclosed as unauthorised expenditure for non-cash items in Note 42.

53.12 - The payment of the ESKOM Debt was not budgeted. This item will be diclosed as unauthorised expenditure for cash items in Note 42.

53.13 - Interest and Service Costs based on the Actuarial Valuations for the Post Employee Medical Aid Benefit and Long Service Awards Provisions. This item was not budgeted. This will be disclosed as unauthorised expenditure for non-cash items in Note 42.

53.14 - Implementation of Costs containment measures to improve cashflow.

53.15 - The Fair Valuation Adjustment on Land was not budgeted. This will be disclosed as unauthorised expenditure for non-cash items in Note 42.

51.16 - The Fair Adjustment on Investment Property was not budgeted. This will be disclosed as unauthorised expenditure for non-cash items in Note 42.

53.17 - The write down of water inventories was not budgted. This will be disclosed as unauthorised expenditure for non-cash items in Note 42.

Changes from the approved budget to the final budget

53. Budget differences (continued)

The changes between the approved and final budget are a consequence of additional grant funding being received, and reallocation within budget paramaters. The re-allocation for operational and capital expenditure related to the COVID 19 pandemic. Certain MIG Project was re-prioritised and these were record as reallocations within the Capital budget parameters.